

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. — James Monroe

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World Trade Parley Prepares to Convene

Outlook, as Delegates Gather in London, Less Hopeful Than It Was Several Weeks Ago

VARIOUS SETBACKS ARE NOTED

Geneva Impasse, War Debts and European Uneasiness Dim Prospects

In a few days the World Economic Conference will convene in London and the long-awaited attempt to find a cure for the world's economic ills will get under way. It has frequently been said that the meeting will mark one of the most critical moments in our civilization. If it does not succeed, and the present economic war among nations is allowed to continue, the danger of universal collapse is pointed out. It seems that this is setting too much store by one conference, but it nevertheless reflects the degree of anxiety which is prevailing.

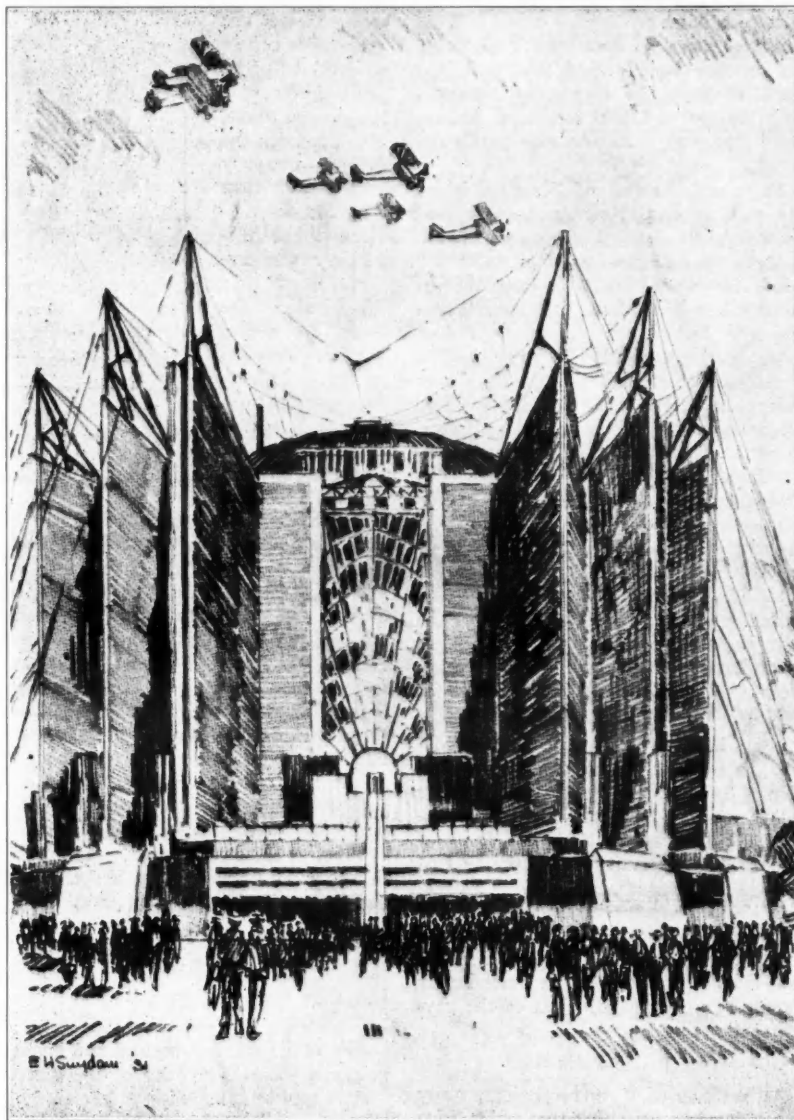
Prospects of Success

In the light of this it may be helpful to cast a swift glance at the general state of affairs existing as the delegates are gathering in London. Does the conference convene in a propitious atmosphere? Have the developments of the last few weeks cleared the way for action in London? Is it probable that decisions will be reached quickly, or is it more likely that the meeting will drag on for weeks and months without substantial accomplishment?

It must be admitted at this time that the prospects for rapid action, and even for ultimate success, are not encouraging. Where a week or so ago there was a general spirit of optimism, the outlook now is more apt to be pessimistic. This has happened because the movement toward international coöperation, which was progressing hopefully a short while ago, has received several important setbacks. In consequence the London conference will convene under extremely difficult circumstances.

The most serious of these setbacks has taken place at the disarmament conference in Geneva. There has been a general belief that success at Geneva must precede negotiations in London. It has been accepted that agreement in London could come only with the greatest difficulty, and perhaps not at all, unless the nations first cast aside their suspicions and rivalries by coming to terms on a convention to reduce armaments. It was this conviction, largely, which led President Roosevelt to give an impetus to the disarmament conference by having Norman Davis offer on behalf of the United States to join in a general consultative pact and to waive neutrality rights under certain conditions. The first effect of this offer was wholesome and it seemed for a time that the Geneva conference might wind up its affairs before the London meeting convened. But gloom has again visited Geneva and it is now certain that there are many weeks of deliberation ahead of the delegates in Geneva. In the first place it is evident that the French do not consider President Roosevelt's offer to constitute an adequate guaranty of security. They agree that our declaration is a step forward but hold that

(Concluded on page 8, column 1)



CHICAGO CELEBRATES "A CENTURY OF PROGRESS"
(From a drawing by E. H. Suydam in "Chicago: A Portrait." Century)

A Century of Progress

If the Century of Progress Exposition had been held four years ago there would have been fewer questionings than one now hears as to the genuineness of that progress which the great fair so strikingly and gorgeously portrays. The concept of progress was not under close examination at that time. Material changes had come about with staggering rapidity. These changes had given man a power over nature which a century earlier had not been dreamed of. That these changes were somehow in the interest of mankind was taken for granted, and so change was optimistically called progress. During the last four years the economic machinery has been thrown so terribly out of gear and so many people have been reduced to such desperate circumstances that doubts have arisen as to whether the changes necessarily denote progress. Have we constructed machinery which we do not know how to use? Has material progress outstripped intellectual progress and progress in the art of social manipulation? Have the practices of government lagged so far behind that the material changes produce confusion? Is the cause of human betterment not really being served? These are some of the questions which disturb many who would otherwise enjoy the evidences of progress on exhibit in Chicago. But it is possible for the pessimism of the moment to throw us off balance, just as the unwarranted optimism of the twenties did. It is true that millions of people are struggling today under a burden of debt, but they are not thrown into prison as they would have been a hundred years ago. A century ago those who found employment were working sixty or seventy hours a week. The demand for the ten-hour day was being combated vigorously and successfully by "hard headed and practical" business men who held the demand for such a short working week to be visionary and impossible of attainment. Today we are seriously considering the feasibility of a thirty-hour week. Education, despite the present difficulties of the schools, is recognized, as it was not a century ago, as the rightful heritage of all. These are but a few of many evidences of non-material achievements of the century—achievements which not even a period of economic stress can take from us. And just now there is a gleam of hope that these days of stress may be but temporary. Unquestionably social and political progress has lagged behind the material. Emphasis should be laid, as it has not been during the century, upon spiritual, social, civic achievements. Meanwhile, however, we may enjoy the Century of Progress celebration, free from the undue but understandable cynicism which prevents a proper appreciation of the progress we have known since those western pioneers a century ago began the building of a great city on the shores of Lake Michigan.

Senate Body Probes Morgan Activities

Investigation Designed to Uncover Methods by Which Bankers Float Securities

STARTLING DISCLOSURES MADE

Income Tax and Favored List Practices Gives Impetus to Reform Move

Rarely has public attention been more acutely focused on any activity of Congress than on the investigation of the banking concern of J. Pierpont Morgan, now being conducted by the Senate Committee on Banking and Currency. On the opening day of the hearings, the committee room was filled to capacity long before the investigation began. And with each succeeding session, throngs of curious spectators filled the room in order to follow the proceedings as members of the House of Morgan were called upon to answer the questions asked by the committee's counsel, Ferdinand Pecora, and members of the committee.

Scope of Inquiry

That the investigation should provoke such a nation-wide stir is not surprising. For years, the activities of the House of Morgan have been veiled in profound mystery. Even Mr. Morgan himself is somewhat of a legend to the American public. Always evading publicity, never publicly expressing his views save on very rare occasions, Mr. Morgan's role as a leader in the world of finance has given rise to all sorts of illusions in the mind of the general public. Thus, when the financial titan, known to be one of the richest men in the world, was subpoenaed to appear in person before the Senate committee to reveal the workings of his organization, a wave of curiosity and excitement swept the country.

Contrary to a quite general belief, Mr. Morgan and his partners were not called before the congressional committee to answer definite charges of malpractice or infraction of the law. Rather, the investigation now going on is only a part of a program started more than a year ago by the Senate. Under the Hoover administration, the upper house adopted a resolution providing for an inquiry into the operations of the stock exchange in order to determine whether certain individuals were responsible for wide fluctuations in the price of stocks. Later, the scope of the investigation was broadened so as to include commercial bankers, and early in the Roosevelt administration it was decided to call private bankers, such as the Morgan firm, to Washington in order to look into certain of their activities. This is the primary reason why the Morgan partners are now appearing before the Senate Banking Committee.

Private Banking

In addition to this, there is another important reason for the investigation of private bankers. At a time when the country has been made painfully aware of the deficiencies of the American banking system and when the question of enacting broad reforms is being considered, it is important that the nation in general, and members of Congress in particular, should become acquainted with the practices of all types of bankers in order that they

may discover the weak spots and take the necessary remedial action. Therefore, while the investigation may prove disagreeable to the bankers in that it is delving into their private affairs, it may have the beneficial effect either of clearing them of any questionable practices or revealing the need for reform.

The very nature of private banking places a great responsibility upon those engaged in it. Unlike so many other businesses, its activities are carried on almost exclusively with other people's money. Private bankers devote most of their attention to the issuing of securities. They sell stocks and bonds to the investing public. These securities may be shares of ownership in industrial corporations, represented by stocks. Or they may be government bonds, representing indebtedness on the part of local or state governments. Since, during the last three and a half years, investors in these securities have suffered heavy losses due to sharp declines in value, the general public is entitled to know how the banks which sold them the securities operate and whether their activities are conducted on the highest ethical plane.

As this is written, the investigation has been going on four days. It is therefore too early to determine to what lengths it will go. Only after the inquiry is over will it be possible fully to appraise its value as a basis for reforms in the banking system. The first four days, however, brought to light certain facts which have caused a furor of excitement and which have already given impetus to a strong movement for legislative action.

Income Tax Disclosures

Perhaps the most startling of these revelations was the disclosure that during the years 1931 and 1932 none of the Morgan partners, although reputed to be among the wealthiest men in the world, paid any income tax to the federal government. And in 1930, the aggregate payments of all the partners amounted to only \$48,000. At the same time, Mr. Morgan, who is in charge of banking houses in Europe as well as this country, paid income taxes to the British government. To a great many people, such a state of affairs appeared to be an infraction of the income tax laws, for they failed to comprehend how men, said to be so wealthy, could escape the income tax laws of the United States.

As a matter of fact, however, the failure of the Morgan partners to pay income taxes during the two years in question was due not to their dishonesty but rather to certain provisions of the income tax laws by which they were exempted. These are known as the capital gains and losses provisions. They provide that individuals may deduct from their taxable income losses sustained through the sale of se-

curities—stocks and bonds. In the case of individuals who invest their savings in securities those provisions are as follows: A person may deduct such losses only to the amount of similar gains. Thus, if a man sold certain shares of stock for \$2,000 less than the price he paid for them and certain other stocks for \$1,500 more than he paid for them, he is exempted from paying an income tax on the \$1,500 profit because of this provision. But he may not deduct the remaining \$500 loss from his regular income. The next year, however, he may deduct it from whatever gains he makes on stock sales. But in case he has held the stock two years or more, he is permitted to deduct the entire \$2,000 loss from his aggregate income, from whatever source derived.

These capital gains and losses provisions are even more lenient in the case of dealers in securities—brokers and private bankers, for example—who buy stocks and bonds for resale. In their case, the securities are considered as merchandise and the dealers are allowed to deduct losses from depreciation in value just as merchants are allowed to do. They may deduct these losses, even though they have not actually sold the securities at a loss. But if at the end of the year, the securities listed on their books are worth less than they were at the beginning of the year, this depreciation in value may be deducted from the taxable income. For example, a dealer in stocks and bonds holds \$500,000 worth of securities at the beginning of the year. By the end of the year those stocks and bonds are worth only \$400,000 at the existing market price. He may then deduct the book loss of \$100,000 from his total income.

Now, in the case of the Morgan concern, that is what happened. At the beginning of 1931, the total assets of the company were approximately \$700,000,000. By the end of 1932, due to sharp declines in all security values during that period, they were worth only \$425,000,000. Thus, by application of the capital gains and losses sections of the income tax law, which apply to dealers in securities, the Morgan partners were not legally required to pay income taxes to the government.

Inside Lists

As a result of these revelations, many members of Congress have started a drive to tighten up the provisions of the income tax laws so as not to permit very wealthy people to escape taxation in this manner while the employee whose annual salary amounts to little more than \$1,000 a year is obliged to pay his tax. It seems probable that some legislation of this sort will be enacted before the adjournment of the present session of Congress.

No less sensational than this was the disclosure of the committee that many national figures, influential in governmental as well as financial circles, had been on the inside lists of the Morgan firm. These men were offered and purchased certain stocks at prices much lower than the market prices. For example, the Morgan company offered more than a million shares of stock in the Alleghany Corporation at \$20 a share when the stock was selling for more than \$30 in the market. Among the men who took advantage of this cut rate were William H. Woodin, now secretary of the treasury, William G. McAdoo, senator from California, Owen J. Roberts, justice of the Supreme Court, Charles Francis Adams, former secretary of the navy, General John J. Pershing, Charles A. Lindbergh, Owen D. Young, Newton D. Baker, John W. Davis, and many other prominent leaders. Other lists of individuals, one of which contained the names of Norman H. Davis and the late Calvin Coolidge, were made public at the inquiry. The individuals on these lists were offered shares of stock in other corporations at special prices.

Through these transactions, the selected list of investors were given a decided advantage over the general investing public. For, whereas the latter were obliged to pay a much higher price in order to obtain the stock, the selected list could have, had they wanted, disposed of the stock immediately at a much higher price.

The upshot of this part of the investigation has been a demand on the part of certain members of Congress that the government officials who took advantage of these offers of the Morgan firm be requested to resign from office, even though they purchased the stock before they assumed office. Particular pressure is being brought to bear on Secretary of the Treasury Woodin, Justice Roberts and Ambassador Davis. It is the contention of those who are requesting the resignations that since the officials have at one time accepted favors from the Morgan company, they are indebted to it and consequently, as officials of the government, will do everything within their power to shape governmental policies in such a way as to benefit the banking concern, however much the general public interest might suffer as a result.

Broad Influence

While the extent to which the Morgan firm controls other corporations, such as banks and trust companies as well as various industrial concerns, will not be fully apparent until the investigation is completed, certain pertinent facts were brought to light the opening day. Questioned by Mr. Pecora as to whether members of his firm were on the boards of directors of other concerns, Mr. Morgan gave a complete



NOT ON THE SAME SIDE OF THE STREET

—Kirby in N. Y. WORLD-TELEGRAM

list of the partners' affiliations. It was learned that the Morgan partners hold eighteen directorships in banks and trust companies and 167 directorships in corporations. Mr. Morgan himself, in addition to being head of the banking house, informed the committee that he is a director in the following concerns: "The United States Steel Corporation; First Security Company; Discount Corporation of New York; Pullman, Inc., and the Pullman Company; the Aetna Insurance Company of Hartford and some subsidiaries of it; the Century Indemnity Company and the World Fire and Marine Insurance Company."

These directorships are so diversified that there is scarcely a branch of the corporate structure of the nation which they do not penetrate. As a result, the Morgan influence is felt in public utility companies, railroads, all types of trust corporations, mining concerns, hotels, and all kinds of industrial corporations. For, by sitting on the boards of directors of all these corporations, the Morgan partners have a voice in the governing policies of those gigantic organizations. In adding new partners to the organization, it appears to have been a policy of the House of Morgan to select men whose influence in the business, industrial and financial world was very extensive.

When the Senate Banking Committee completes its investigation of the House of Morgan, it will turn its attention to two other leading private banking concerns of New York—Kuhn, Loeb and Company, and Dillon, Read and Company. President Roosevelt has indicated that he wants the inquiry to be carried on "without limit" in order that the committee may get to the bottom of private banking practices, particularly in the method by which they float securities on the market. The president has declared that he will use his influence to obtain sufficient funds to complete the investigation, in case the appropriation now at the disposal of the committee proves inadequate to the needs of the inquiry. The president took this stand after a bitter controversy had arisen between Senator Glass of Virginia and Mr. Pecora. The Virginia senator was irked at the turn the inquiry was taking and likened the whole proceedings to a circus. In order to placate Senator Glass and to permit the hearings to continue without further tilts, Mr. Pecora outlined the future course of the investigation at a secret session of the committee on May 31.

Whatever may be the nature of future disclosures, it is certain that the investigation will give great impetus to a move for reformatory legislation, as indicated already by the agitation for a revision of the income tax laws so as to plug up the loopholes now existing.



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THE HEAD OF THE HOUSE OF MORGAN IS CALLED TO ACCOUNT
Scene in the Senate Banking and Currency Committee during the Morgan hearing. Left to right: Ferdinand Pecora, Sen. Duncan Fletcher, J. P. Morgan (standing), Sen. James Couzens and Sen. Alban W. Barkley.



OR the week ending May 31, Congress took the following action:

SENATE. Acquitted Judge Louderbeck of impeachment charges based on unfair practices in his handling of receiverships. Passed the administration railroad bill providing for the creation of a national coordinator to reorganize the country's railways. Passed Glass Banking bill providing, among other things, for temporary federal insurance of deposits up to \$2,500. Passed the Wagner Employment Agency bill, setting up a federal employment service to cooperate with similar state organizations in finding work for the unemployed. Banking and Currency Committee, with Ferdinand Pecora as counsel, continued its dramatic hearings on the affairs of J. P. Morgan and Co. Foreign Relations Committee amended the House arms embargo resolution. The amended resolution gives the president authority to apply arms embargoes against all countries engaged in warfare at a given time, but does not allow him to single out and impose upon any one country an arms embargo, as does the resolution passed by the House.

HOUSE. Passed National Recovery Act, which includes an increase in normal income tax rates to finance the public works section of the act. Adopted a Senate bill amending the Reconstruction Finance Corporation Act to permit the purchase of stock of insurance companies. Adopted the administration's gold resolution which provides for the cancellation of the gold payment clause in all federal and private obligations, making them payable in legal tender.

Repeal of Gold Clause

There was a great deal of confusion last week when the administration offered a joint resolution to Congress providing for the repeal of the gold clause in all federal and private obligations. Here simply is what it means:

In the past when the government has borrowed money it has included in the contract that this money would be paid back in gold if the loaner so desired. Also, much of the currency in circulation is and has been payable in gold if the holder cared to transfer his currency into the yellow metal. Moreover, many private corporations, in borrowing money, have agreed to repay in gold.

Now the Roosevelt administration has decided to change this policy. Instead of offering to pay back borrowed money in gold, or allowing private companies to do so, the administration, under the terms of the resolution, agrees to pay it back with legal tender (coins and currencies backed by the federal government).

The strongest objection to this measure is that it is retroactive. All the obligations now outstanding, federal and private, which contain the gold clause payment, no longer will be payable in gold. It is estimated that these obligations amount to \$100,000,000,000 of which the United States government's debt of \$23,000,000,000 is the largest. The administration declares, however, that the holders of these obligations will be paid back with sound currency backed by the federal government. And by keeping intact our present gold reserve of about \$3,500,000,000 (the largest in the world), it is contended that our currency will be safeguarded to the fullest extent.

The House approved the gold repeal resolution several days after it was offered, and while many senators were violently opposed to the resolution it was expected to be approved by that body in a short time.

Two States Repeal

Two more states have voted for repeal of the eighteenth amendment. Delaware voted three to one against the amendment, and Nevada indicated its disapproval of prohibition by an even larger vote. These two states bring the total number that have ratified the repeal amendment to eight. Thirty more states are expected to vote on this issue during the remainder of 1933.

House Passes Recovery Bill

The industrial recovery bill was passed by the House of Representatives on May 26. The vote was 324 to 76. The bill combines a far-reaching plan for government supervision and control of industry,

and for a \$3,300,000,000 public works program. To finance the public works section of the bill, the House voted to increase the normal income tax rates and to increase the federal refiners gasoline tax from the present rate of one cent a gallon to one and three-fourths cents. Also, the House placed a tax upon corporate dividends, which at present are exempt from taxation.

The taxation feature of the House bill was expected to encounter stern opposition in the Senate. It is felt by many senators that the additional income tax rates would place too heavy a burden on low incomes. A general sales tax and higher surtaxes on large incomes are under consideration in the Senate.

Manufacturers Object

The administration's industrial control bill received a temporary blow a few days ago, when the National Association of Manufacturers announced its opposition to the measure. The association contends that the bill provides plenty of protection for labor, but does not do so for employers. Therefore, the members of the association say, mandates must be included in the bill to protect employers against "abuses" by organized labor. While this opposition was entirely unexpected, as business men and industrialists had been thought to be wholeheartedly in favor of the measure, supporters of the bill are certain that it will be approved by the Senate as it has been in the House.

Farley Speaks

Postmaster General James A. Farley, speaking at the annual memorial services of the American Legion in Brooklyn, New York, assured his listeners that the national administration would deal fairly and humanely in making pension cuts authorized by Congress at the request of President Roosevelt. The greater part of Mr. Farley's address, however, was devoted to a plea for peace. He said: "The people of the world are still paying a bitter price for the World War. The destruction in human life and wealth is so great that the whole machinery of human contact is still in a sad state of chaos. . . . Burdens of debts hang heavy on every nation. Fear is rampant all over the globe. Suffering has replaced contentment. Almost fifteen years after the armistice we are still paying the price."

Stocks Soar

The stock market, during the last two months, has made its most spectacular advance since 1929. Stocks have doubled, a number of them have tripled and a few have even quadrupled. Part of this rapid rise has been due to the moderate inflationary course which the government is pursuing. But the rise is due largely to the fact that all business indices show a decided upward turn. Also, it is estimated that about a million men have gone back to work since March 4.

Gandhi Breaks Fast

Mahatma Gandhi's 21-day fast came to an end last week. The purpose of the fast was to focus world attention on the plight of 60,000,000 Hindu "untouchables," who are despised and badly treated by high-caste Hindus. Gandhi lost 19 pounds in weight as a result of his self-imposed ordeal, bringing his total weight down to 80 pounds. Immediately following the fast, he announced that he had made no plans for the future.

"New Deal" for Investors

President Roosevelt signed the securities bill last week, after it had been approved by large majorities in both branches of Congress. According to Mr. Roosevelt, the enactment of this bill into law is the beginning of a "new deal" for investors. It provides, among other things, that before any securities are offered for sale to the public a full description of them and of the corporations which issue them must be

submitted to the Federal Trade Commission. This information must tell all about the companies, their officers, the property which the companies possess—in other words, information upon which buyers might form a fair conclusion as to the value of the stock or bonds.

Judge Louderbeck Acquitted

The Senate trial of Judge Harold Louderbeck closed on May 24. Impeachment charges were launched against the San Franciscan judge a number of weeks ago. He was accused of accepting favors involving the appointment of receivers for bankrupt corporations. A majority vote in the Senate upheld this accusation. A two-thirds majority is necessary, however, to impeach a federal official and the Senate vote was eight short of the two-thirds necessary for conviction. The trial lasted ten days, delaying all Senate legislation and costing the government \$50,000.

There was considerable comment among senators and others after the trial to the effect that impeachment trials should not be held in the Senate. As a matter of fact, only a few senators attended the hearings. The majority of them read the record of the proceedings. Therefore, it is argued, why should not such trials be held either before a Senate committee or in a courtroom? The senators could then read a report of the trial and decide how to vote.

President Encounters Storm

After Secretary of Treasury Woodin's name had been revealed on J. P. Morgan and Company's preferred stock list (see page 1) President Roosevelt invited the treasury head to accompany him on a week-end cruise to talk over the matter. Upon their return, Mr. Woodin said that the president's yacht had met with a terrific storm while cruising on the Potomac River. "I have been in two or three train wrecks," he said, "and on ocean liners where we faced danger, but the greatest scare of my life was last night. The storm kept up nearly an hour, but for 30 minutes of it we didn't know whether it was the end or not."

New R. F. C. Policy

Jesse H. Jones, chairman of the Reconstruction Finance Corporation, recently announced that in the future, no loans will be made to corporations whose executives receive excessive salaries. In fact this new rule applied to a recent loan of \$23,000,000 made to the Southern Pacific Railway. Salaries paid to executives of this company are to be reduced from 10 to 60 per cent—a condition which was made compulsory before the railway company could obtain a loan. This new policy will please many persons who have long maintained that many companies would be better off today if they did not have to pay such exorbitant salaries to high officials.

Iron, Steel Magnates Meet

Chas. M. Schwab, chairman of the Bethlehem Steel Corporation, presided at the forty-second general meeting of the American Iron and Steel Institute a few days ago. The meeting was held in an atmosphere of optimism. Steel production has doubled in the last two months. Mr. Schwab, in addressing the delegates, declared that the outlook for the steel industry is better than it has been for months. Referring to President Roosevelt's National Recovery Act, Mr. Schwab said: "Speaking for the steel industry, I say that we gladly accept this offer of partnership, because with this kind of support and through our revitalized institute we should speedily and effectively be able to see brought into line those selfish interests which persist in unfair practices that are contrary to sound public policy and ruinous to industry."

W. E. C. Delegates Sail

The Washington delegation to the World Economic Conference sailed on the last day of May for London. President Roose-

velt gave the delegates final instructions at a four-hour conference two days before they departed. Those making up the American group include Secretary of State Hull, former Governor Cox of Ohio, Senator Pittman of Nevada, Representative McReynolds of Tennessee, Senator Couzens of Michigan and Ralph W. Morrison of Texas.

It is interesting to note that these men will receive only \$6.00 a day in addition to their expenses while at London. The rate of compensation has been much higher at former conferences, but the lower sum is in line with President Roosevelt's economy program.

Industrial Groups Confer

Representatives of several industries have met during the last few days to make preliminary plans for the drafting of labor codes in anticipation of the passage of the administration's national industrial recovery bill. This measure, which was recently outlined in THE AMERICAN OBSERVER, enables the federal government and the various industries to cooperate in regulating production and in establishing minimum wages, shorter hours and other plans to restore industrial activity to a normal level.

The National Association of Cotton Manufacturers held a conference and favored a 40-hour week for the cotton industry. The Drug Institute of America has just recently been formed for the purpose of uniting all divisions of the two-billion-dollar drug industry, so that it may be in a position to carry out the suggestions embodied in the industrial bill. And the National Electrical Manufacturers Association, in addition to making plans relative to wages, hours and production, is seriously considering the adoption of life and disability insurance, pensions and unemployment insurance for its workers.

Truce Reported

After days of rumors it was authoritatively reported on May 31 that a truce between Japan and China had been formally signed. Whether this will mark the beginning of negotiations for a final settlement of outstanding differences between the two countries or whether it will provide nothing more than a temporary cessation of hostilities remains to be seen.

Arms Resolution Weakened

The Senate Foreign Relations Committee, by amending the arms resolution which was passed in the House several weeks ago, has embarrassed the administration. Under the terms of the House resolution the president could act jointly with other powers in stopping shipments of war supplies to an aggressor. But the Senate Foreign Relations Committee changed this resolution by deciding that the president must impose arms embargoes either on all the countries engaged in warfare, or on none of them. The majority of the members of the Senate committee feel that the United States should not attempt to take sides in a foreign dispute, but should maintain her neutrality.

This is contrary, of course, to President Roosevelt's international "new deal" as set forth at the disarmament conference by Norman Davis. Mr. Davis assured the other nations that if they would disarm, the United States would no longer remain neutral in cases of warfare, when we could agree with other nations as to which country in the dispute was the aggressor. Therefore, it is expected that President Roosevelt will bring "White House" pressure to bear upon the Senate, urging this body to turn down the Foreign Relations measure and instead to approve the arms resolution passed by the House.

Mellon and Mills Next

While the Morgan investigation continues, plans are under way in the Senate to inquire into the income tax payments of Andrew Mellon and Ogden L. Mills, two former secretaries of treasury. Evidence is said to have been gathered, revealing irregularities in the tax payments of these two men. Senator McKellar of Tennessee has introduced a joint resolution in the Senate calling upon the treasury department to supply Congress with complete information regarding the income tax records of Mr. Mellon and Mr. Mills from 1917 to 1933.

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THE MORGAN CASE

When an investigation such as that now being conducted of the J. P. Morgan Company gets under way, there is always danger that the purpose will be defeated because of an undue public interest in personalities. People tend to become concerned about the moral status of those who are being investigated, and if they do this they may lose sight of problems of public policy with which the hearings are vitally concerned. Everybody is talking now about the fact that J. P. Morgan and his associates have not been paying income taxes. This is all well enough if it should lead to an inquiry into possible changes of the federal tax laws, but if popular emotion is consumed in anger, and if the whole matter is considered one of personal guilt on the part of the Morgans, the whole enterprise may turn out to be a futile one.

Morgan and his associates merely took advantage of an opportunity which the law afforded them to escape taxation. Their income during these years of depression has been more than balanced by losses—losses of a sort which are legally deductible from income in the payment of the income taxes. The case can be better understood if considered in simple terms. Suppose your income amounted to \$1,000 above exemptions. You have some property which you have had for more than two years and you sell it at a loss of \$1,000. The law permits you to deduct the \$1,000 loss from the \$1,000 income; in other words, to cancel the income so that you will not need to pay a tax. Under these circumstances, would you take advantage of the law and refrain from paying taxes? There are very few people who would not. Or suppose that you had made \$1,000 in stock transactions, but that you had also lost \$1,000. You are allowed to balance these transactions and not pay income tax on the amount of your gain. Would you do this, if you had the opportunity? There are few who would not. Yet that is substantially the thing which Morgan and his associates did. If they had done otherwise, if they had paid to the government money which they were not called upon by law to pay, it would have been in the nature not of a tax, but of a voluntary contribution to the government. Now it would have been a fine thing if these wealthy men had taken large sums of money from their capital and had made donations to the government, but it would have been an unusual thing. To call upon them to do this would be to ask them to live up to an ethical code which very few people, rich or poor, care to follow.

What we are saying does not mean that Morgan should not pay taxes. During one of the years when he paid no income taxes, he found the money to buy a \$2,500,000

yacht. Should he not have been obliged to find money to pay to the government in taxes? Perhaps so. But in that case it would have been some other tax than an income tax. In the nature of the case, the government cannot collect income taxes from those who do not have incomes, and during hard times even the very wealthy may not have incomes. They do have capital assets, however. They still have wealth, and it may be desirable to find a form of federal taxation which will draw more heavily not only upon income, but upon amassed wealth.

The point which we are making is that citizens might better spend their time singling out bad or inadequate laws for attention than in spending their wrath on so-called "bad men." The House of Morgan has committed a good many offenses against the public interest, but it has probably done as well as others in the same positions would do. There is no use, then, to scold Morgan. It would be better to use the revelations which are coming from the investigations as evidence in favor of changing the revenue system and as evidence in favor of stricter regulation of private banking operations.

Business Barometer

There have been many indications during recent weeks that, at last, we may be on the road to recovery. The Indianapolis *Star* points to the increased activity in railroad carloadings as an important sign that business in general is looking upward:

The report of the American Railway Association that the loadings of revenue freight had shown a real upturn for the first time in years will be hailed as a sure enough indication of better business conditions. The steel industry has been termed the barometer of business. It, too, is tending upward, but is not more accurate than the freight carloadings. . . . When freight moves on the railways, it is because somebody has bought something that is being shipped to him, and the volume of buying and selling is the measure of prosperity.

The extent to which the business of the country has languished may be grasped from a study of the carloadings. The encouraging report of 531,095 cars is less than half the total in most weeks a few years ago. The weekly average for the entire year of 1929 was more than 1,000,000, the total being 52,789,789. Ever since the war it has been the customary thing to have million-car weeks over long periods during the busy seasons.

Secretary Woodin's Embarrassment

The Washington *Daily News*, a Scripps-Howard publication, calls for the resignation of Secretary of Treasury Woodin, because of his past affiliations with J. P. Morgan and Company:

Secretary of the Treasury Woodin has offered to resign if his presence in the cabinet is embarrassing to the administration. That puts it up to the president. Every time the Federal Reserve makes an unpopular decision on monetary policy, enemies of the administration will say, "That is Woodin reciprocating favors of the House of Morgan." Whenever Treasury Department policy on collection or rebate of income taxes of the rich is questioned, enemies of the administration will say, "Of course, Woodin is a Morgan beneficiary."

We do not doubt that Mr. Woodin in the future would fulfill his official duties faithfully, as we believe he has done since taking office. But the fact remains that his presence on the old Morgan preferred stock list, for receipt of securities at less than market value, makes his presence at the treasury department undesirable. . . .

That Mr. Woodin will have to go seems certain. The only question apparently is whether he is to leave now or a few weeks or months later, when the Morgan revelations may have been forgotten. In our judgment the Morgan revelations will not be forgotten; their significance will grow with time. Every day Mr. Woodin remains will weaken the administration. A vain effort to save Mr. Woodin's face might wreck the administration's whole program. For the success of this program depends on the public's confidence in the men who are carrying it out.

Worn-out Cars Create Problem

Since 1927 there has been an approximate average of 30,000 lives taken each year as a result of automobile accidents. Several states—though the majority of them are doing virtually nothing in this respect—are launching safety campaigns in the attempt to lower this tragic toll of motor fatalities. The Wenatchee *World* is of the opinion that a serious problem exists in the number of practically worn-out cars now being driven:

One-third of the automobiles now running on the roads and streets in this country are either obsolete or mechanically unfit for maximum safety, according to a survey made by the American Automobile Association. They are without proper brakes, and are a menace to pedestrians and other drivers. Many of them are dangerous to their occupants and should be barred from the highways.

International "New Deal"

The Des Moines *Register* is elated at the "new deal" in our foreign policy under President Roosevelt:

It was a magnificent speech and a momentous declaration of policy that Norman Davis, representing the American government, made to the disarmament conference Monday. . . . More than any other statement on behalf of America in international gatherings of recent years, it showed a decent and intelligent regard for the fact that America is, through luck rather than superior virtue, less handicapped than the nations of Europe in dealing with the problems of armaments. It carried a full recognition of the difficulties that Europe faces. It avoided the slightest tinge of that irritating smugness that so often has marked official American utterances, even from some of our presidents.

For once . . . it was possible for an American speaking for our government to talk to Europe without preaching, without posing, and with evidence of a sense of our own responsibility.



FERDINAND PECORA

Counsel for the Senate Committee which is investigating private banking activities. He was born in a little hill town in Sicily 51 years ago, and was brought to this country when four years old. He was reared in poverty, worked in sweatshops to aid in the support of his family and studied law after working hours.

What About Closed Banks?

A number of congressmen are attempting to have legislation enacted which will enable money now tied up in closed banks to be placed back into circulation at once. The St. Paul *Pioneer Press* urgently requests that such action be taken:

The announcement of Jesse H. Jones, chairman of the Reconstruction Finance Corporation, that closed banks are now reopening at the rate of 125 a week and that the process is being speeded up is encouraging. While this progress is commendable, however, this rate of reorganization is too slow to meet the needs of the current emergency. At this rate it will be late fall or early winter before all the sound banks of the 4,250 that were closed can open their doors and release the four billion dollars of deposits frozen in their vaults by the bank holiday closings. . . .

The possibility of inducing larger banks to reopen the small closed banks as branches, assuming their assets and their liabilities to creditors and depositors, ought to be fully explored. This or some other emergency step should be taken to rescue four billion dollars in purchasing power, that is dammed up in closed banks, from the delays involved in the ordinary procedure of state and national banking departments.

England and W. E. C.

Are the British really anxious for the World Economic Conference to achieve great success, which will be possible only if each nation makes certain sacrifices for the common cause? There is a growing feeling among Americans that the present government in England is extremely nationalistic and that it will be obstructive in the efforts to formulate international agreements to promote trade among the various nations. Here is what the Montreal *Daily Star* has to say in answer to this belief:

A London correspondent of the New York *Times* fears that a stand-up fight with the British faces the American delegation at the world conference. The British delegates, he suggests, are hard-headed, practical men like Neville Chamberlain (chancellor of the exchequer), protectionists, utterly without internationalist illusions, personifying beliefs and policies opposed to the international "new deal." . . .

The fact that the British have been pushing for this world conference for two years, and were convinced of its necessity 18 months before the Americans woke up to it, might help to calm the fears of those who feel that the British will break up a world conference of their own calling.

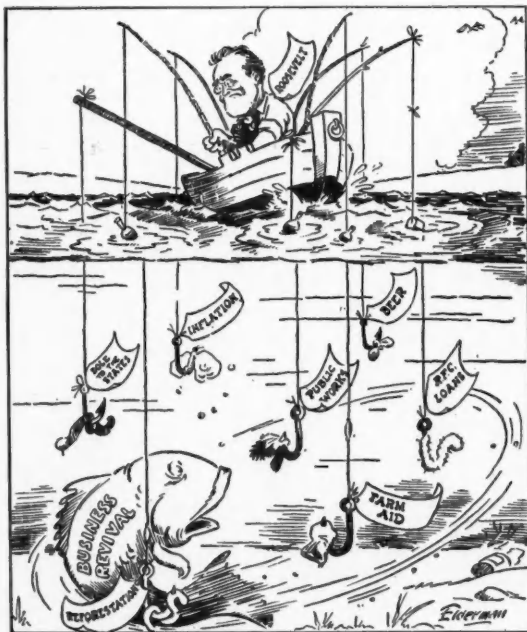
House of Morgan

The Emporia *Daily Gazette* places its wholehearted approval upon the Morgan investigation which is being conducted by the Senate Banking and Currency Committee (see page 1):

For the first time in the history of America the head of the House of Morgan is facing a hostile government interrogator. Three generations of Morgans have risen, waxed fat, defied government, ignored public opinion, passed on. Certainly they were more honest than dishonest. And certainly also, they rationalized their conduct and did what they had to to save and husband their business. The law looked after itself. The Morgans have a half-billion dollar business. Its size has made it sacrosanct. No other president, no other senate, no other congress, has dared to crash in the doors of the House of Morgan and ask to see the books.

Other presidents, other congresses and other senates have threatened, have stood hat in hand, have taken a peek in, but the raucous snarl of the public investigator has never grated upon the ears of a Morgan before, as the voice of Pecora rasps the tympanum of Morgan III.

Right or wrong, good or bad, you've got to hand it to Franklin Roosevelt and his Democratic colleagues. They have invaded the royal arcanum of capital. They have put vandal hands upon the ark. If they don't drop dead for their blasphemy, men will know that the old spells, the old witcheries, the old charms of that particular holy of holies no longer work.



LOTS OF BAIT

—Eiderman in Washington Post

Reprint of Extraordinary Book First Published in 1841 Tells Story of Famous Popular Delusions

Sir Norman Angell's contention that the collective judgment of the common run of people is more apt to be wrong than right ("From Chaos to Control," reviewed last week) is strikingly borne out in a book which has recently been brought to the public's attention. This book, Dr. Charles Mackay's "Extraordinary Popular Delusions and the Madness of Crowds," is not new, a fact which its lengthy title might indicate. It was first printed in 1841. A second edition appeared in 1852, and for many years thereafter it remained out of print and copies of it became quite rare.

But the years have not dimmed the importance of Dr. Mackay's contribution, and the facts brought to light are as interesting today as they were more than ninety years ago. They have perhaps even more significance. Dr. Mackay, in an exhaustive treatise, has gone back into history and has singled out a number of instances in which the masses, sometimes whole nations, have been swayed by some delusion. Some of the delusions may seem extraordinary to us, but if we look back only as far as 1929 when we were all in the grips of a speculative mania, we may well wonder if we have progressed so much. Dr. Mackay points out that in the seventeenth century all Holland succumbed to the urge to buy and sell tulips. The following paragraph, written nearly a century ago, with only a few words changed, might be taken as an excellent description of the United States four years ago:

The demand for tulips of a rare species increased so much in the year 1636, that regular marts for their sale were established on the Stock Exchange of Amsterdam, in Rotterdam, Harlaem, Leyden, Alkmar, Hoorn, and other towns. Symptoms of gambling now became, for the first time, apparent. The stock-jobbers, ever on the alert for a new speculation, dealt largely in tulips, making use of all the means they so well knew how to employ to cause fluctuations in prices. At first, as in all these gambling mania, confidence was at its height, and everybody gained. The tulip-jobbers speculated in the rise and fall of tulip stocks, and made large prices by buying when prices fell, and selling out when they rose. Many individuals grew suddenly rich. A golden bait hung temptingly out before the people, and one after the other, they rushed to the tulip marts, like flies around a honey-pot. Every one imagined that the passion for tulips would last forever, and that the wealthy from every part of the world would send to Holland, and pay whatever prices were asked for them. The riches of Europe would be concentrated on the banks of the Zuyder Zee, and poverty banished from the favored clime of Holland. Nobles, citizens, farmers, mechanics, seamen, footmen, maid-servants, even chimney-sweeps and old clotheswomen, dabbled in tulips. People of all grades converted their property into cash, and invested it in flowers. Horses and land were offered for sale at ruinously low prices, or assigned in payment of bargains made at the tulip-mart. Foreigners became smitten with the same frenzy and money poured into Holland from

all directions. The prices of the necessities of life rose again by degrees; houses and lands, horses and carriages, and luxuries of every sort, rose in value with them, and for some months Holland seemed the very ante-chamber of Plutus.

There is no need to continue with the quotation. Of course the inevitable crash came in due time, and a ruinous panic swept over Holland. It was years before the country righted itself. There was absolutely no basis for this speculative mania, but yet, the mass of people, once the idea that sudden fortune might be made had taken hold, could not be shaken from a determination to put everything they had into tulips. The same thing happened in this country in 1929, only instead of tulips, stocks and bonds were used to gamble with.

Dr. Mackay's book is not confined to a history of great speculations. Crowd madness has taken other forms. There have been mass obsessions over such fantastic things as the philosopher's stone, alchemists, magnetic cures, witches and slow poisoning. Whole continents have been stirred by such movements as the Crusades which resulted from an obsession on the part of Christians that the surest way to salvation lay through a pilgrimage to the Holy Land. They flocked in such numbers to Palestine until they became a source of great annoyance to the Turks who instituted reprisals. This aroused the indignation of Christians, and the Crusades were organized to free Palestine from the hands of the Turks.

"Extraordinary Popular Delusions and the Madness of Crowds" is filled with accounts of instances of this kind, instances in which crowds have acted unreasonably and impetuously. It furnishes invaluable background information for any study of mob psychology.

AS THE EARTH TURNS

Upon reading "As the Earth Turns" one has no doubt that Gladys Hasty Carroll has lived the life about which she writes. It would have been impossible to have produced so authentic a record of the simple routine on an average New England farm otherwise. A book like this must be born out of the deep wellspring of experience.

It is a quiet story of everyday life. There is no complexity of plot, no great conflict of emotion. Mark Shaw and his second wife, and a number of children, part of an accumulation of three marriages, live evenly on a farm in Maine. Outstanding among them all is Jen, nineteen-year-old daughter of Mark, who is really mother to her brothers and sisters and step-brothers and step-sisters.

The narrative is confined to the four seasons of a single year. Thus, Mrs. Car-

roll has an opportunity to reflect every changing phase of New England farm existence. This is achieved less through actual description than through suggestion and the reporting of dialogue. Mrs. Carroll writes simply and well. One has the feeling, however, that the book might be more penetrating and a bit more exciting.

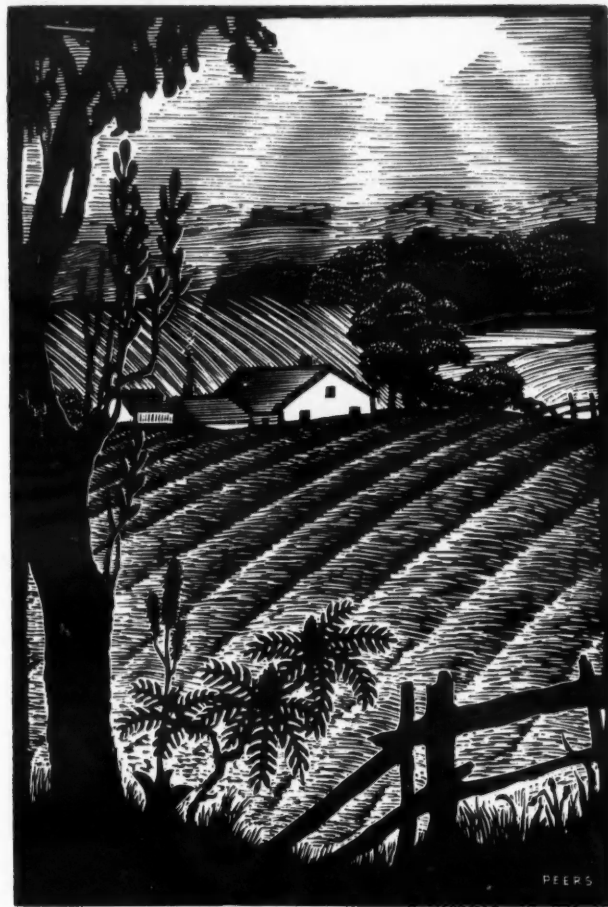
The chief reason for its appeal at this time is probably that it describes a life for which many people are yearning after having experienced the stress of depression. There is a widespread desire to get back to so-called fundamentals, to shun complication and to seek security. Mrs. Carroll writes of this kind of life. She writes of the soil and the hearth, the harvests and the stable, and of home cooking. She tells of days passed in quietude, of months without major disturbance. The story is developed unhurriedly and with a spirit of idealism which offers a relieving contrast to many contemporary works of fiction.

THIRTY-ONE STORIES

Asked once why he wrote short stories, Wilbur Daniel Steele replied that he did so because he believed it was a more honest way of writing a novel than the usual practice of thinning a tale through several hundred pages. There is something to be said for Mr. Steele's whimsical remark. How often do we plod wearily through a novel only to find at the end that the author could just as easily have produced his effect with far fewer words.

The short story has been steadily increasing in popularity as a form of literary expression. Vivid, crisp, and with what may be termed a quick punch, the well-developed short story finds a ready reader, especially in this day when so much reading is done in brief breathing spells between one hurry-scurry and another. It is something like getting a quick, full glance at a painted canvas rather than the slow, piece-by-piece scrutiny afforded by the longer novel.

No better idea of the short story's effectiveness can be gained than by the reading of a good anthology, despite the weighty impression conveyed by the word. Varieties of tones, moods, colorings and perceptions are brought to the attention of the reader in such a way that he can best appreciate the singular value of this type of literature. Such an anthology is "Twentieth Century Short Stories," by Sylvia Chatfield Bates. The editor's selections are considerably above the average found in usual collections. Some of the best stories of such accomplished American writers as Ernest Hemingway, William Faulkner, Wilbur



FROM THE JACKET OF "AS THE EARTH TURNS"

Daniel Steele, Conrad Aiken and Kay Boyle, and of such foreigners as Thomas Mann, D. H. Lawrence and Boris Pilniak and Luigi Pirandello are among the thirty-one selections.

TWO BOOKS FROM RUSSIA

M. Ilin, author of the widely read "New Russia's Primer," has written two new books, which, while primarily intended for children, are well deserving of the attention of adults. One, "What Time Is It?" is the story of clocks, and the other, "Black on White," records the development of printing. It is of great interest to us, in this day of high technical achievement, when so much is taken for granted, to look back into the centuries and take note of the slow, arduous process by which man has learned to tell time, by the sun, the stars, by using sticks, stones, books, oil lamps and candles and to learn how man has acquired the art of preserving for his descendants the account of his thoughts and experiences. M. Ilin has given us these stories in the same simple, eloquent style of "New Russia's Primer."

The Pulitzer Prize for the year's best novel means a great deal more to an author than just the amount of money and the recognition involved in the presentation. When it was announced recently that T. S. Stripling had been given the 1932 award for "The Store," the book immediately became a "best seller" for the second time since its publication in July of last year. It has thus had a double sale. In addition Mr. Stripling may look forward with confidence to an eager market for his forthcoming volume which will complete the trilogy through which he is attempting to picture the South in three different periods, the Civil War ("The Forge"), the Eighties ("The Store"), and since the turn of the century.

BOOKS MENTIONED IN THIS ISSUE

EXTRAORDINARY POPULAR DELUSIONS AND THE MADNESS OF CROWDS. By Charles Mackay. Boston: L. C. Page and Company. \$6.00.

AS THE EARTH TURNS. By Gladys Hasty Carroll. New York: The Macmillan Company. \$2.50.

TWENTIETH CENTURY SHORT STORIES. Edited by Sylvia Chatfield Bates. New York: Houghton Mifflin Company. \$2.25.

BLACK ON WHITE. By M. Ilin. Philadelphia: J. B. Lippincott Company. \$1.50.

WHAT TIME IS IT? M. Ilin. Philadelphia: J. B. Lippincott Company \$1.50.



JERUSALEM DURING THE TIME OF THE CRUSADES

An illustration in "Extraordinary Popular Delusion and the Madness of Crowds."



THIS week we shift our attention from the historical development of various phases of American history to the European scene where efforts are being made to solve one of the most serious issues confronting the world today, namely, the preservation of peace.

**Mussolini
Four-Power
Proposal**

Particularly do we wish to analyze the Mussolini program which is now receiving the attention of statesmen in every capital of Europe. The Mussolini plan represents an attempt, through international agreement and alliance, to guarantee peace to the nations of Europe for a period of ten years. It contemplates an agreement among the four major powers of Europe—Great Britain, France, Germany and Italy—to throw their entire weight back of this one objective. Accordingly, the four nations would sign a treaty by which they would pledge themselves to consult on all problems of particular interest or concern to them. The proposed treaty, moreover, provides for consultation among the four nations on the question of revision of the treaties signed at the conclusion of the war. Another section provides for co-operation on the interrelated issues of disarmament and security. Roughly, these are the main provisions of the much-debated Mussolini plan.

Now, it can be seen, the main idea underlying the plan is that if the strong nations of Europe unite they can guarantee peace to the continent of Europe, at least for a limited period. Historically, such a plan is not without precedent. As a matter of fact, the Mussolini program represents a return to methods of diplomacy and international organization which were generally prevalent before the outbreak of the World War. Under this pre-war system the strong nations endeavored to maintain peace by means of alliances. Such an arrangement, however, was largely supplanted by the broader organization brought into being at the close of the conflict, the League of Nations.

More than a hundred years ago, in September, 1814, the statesmen of Europe repaired to Vienna in order to remake the map of Europe after the Napoleonic wars, and provide means of permanently restoring the peace which had been so ruthlessly upset by the Corsican ad-

**Alliances
After Congress
of Vienna**

venturer. A more brilliant galaxy of statesmen had never assembled together. The group which gathered at Schönbrunn the palace of the Hapsburgs built by Maria Theresa and lying a short distance from Vienna, consisted of such prominent historical figures as Metternich, Talleyrand, Nesselrode and others. But, instead of consulting the minor powers of Europe, the larger nations took matters into their own hands and worked out a system which, they hoped, would guarantee peace.

This system of the post-Napoleonic era was founded on international alliances. Under the initiative of Czar Alexander I of Russia, three nations—Russia, Prussia and Austria—formed the Holy Alliance and issued a manifesto by which they pledged themselves "to take for their sole guide the precepts of that Holy Religion, namely, the precepts of Justice, Christian Charity and

Issues Involved in European Situation

By David S. Muzzey and Paul D. Miller

Peace." Rather than being a formal treaty, the Holy Alliance, in the strict sense of the term, must be considered as a statement of purpose on the part of the European monarchs who were restored to their thrones by the Congress of Vienna.

More important than this was the so-called Quadruple Alliance—a formal agreement among Great Britain, Russia, Prussia and Austria—because it actually became the determining factor in European politics for a number of years. The object of this alignment of powers, to which France was later admitted through the efforts of the astute Talleyrand, was to preserve the order established by the Congress. Primarily, this alliance was to prevent further revolutionary disturbances such as those which broke out in Paris in 1879. The members agreed that such disturbances in any country should not be countenanced and should immediately be put down, by the use of armed force if necessary.

The treaty of the Quadruple Alliance provided for periodic conferences of the members in order to consult on the problems confronting Europe. A number of such conferences were held—at Aix-la-Chapelle in 1818, at Troppau and Laibach, Austria, in 1820, at Verona in 1822. In a number of instances, the great powers, members of the alliance, intervened in order to restore monarchs who were deposed by revolution. In Spain and Naples, the subjects were thwarted by armed intervention in their attempts to overthrow their rulers.

Insofar as carrying out the major objective of the Quadruple Alliance, that is, the preservation of peace, was concerned, this method of international organization was successful. For, after the havoc wrought by the Napoleonic venture, Europe was given a breathing spell of more than

thirty years, and not until 1848 did the peace become seriously threatened. And this respite, it is generally conceded, would have been impossible without the force wielded by the powers making up the alliance. In no other way would the peoples of Europe have consented to the drastic territorial and administrative changes mapped out at the Congress of Vienna.

**Comparison
With 1919
Settlement**

Now, at the close of the World War, similarly drastic changes were imposed upon Europe by the statesmen who convened at Paris. The map of Europe was completely revamped. New nations were brought into being. Territory was taken from the vanquished nations. Penalties and restrictions of one sort or another were imposed by the victorious countries. But almost immediately there arose a cry of protest against these changes. From the day of the signing of the treaties to the present, there has been a growing demand for changes in territorial and other adjustments. But there was one fundamental difference in the conditions prevailing after the two wars. Whereas after the Napoleonic wars, France realized the futility of attempting to make changes in the Vienna settlement because of the close alliance and superiority in military strength of the other nations, the nations defeated in the World War could entertain hopes for revision because of the nature of the peace machinery established. There was the League of Nations which was designed to uphold the peace settlement but it had no military power at its disposal such as the armed forces of the Quadruple Alliance. The United States and Great Britain refused to promise military aid to France and the victorious continental nations in case of attack. Consequently, France sought to strengthen her position by forming alliances with the other nations whose aims were identical with her own. She allied herself with Poland which was determined not to yield the Corridor or other territory to Germany. Similarly she lined up with the members of the Little Entente—Jugoslavia, Rumania and Czechoslovakia—which were likewise determined to maintain the Paris settlement intact.

It is apparent that the statesmen who drafted the settlement at Paris recognized the necessity of some form of alliance similar to the Quadruple Alliance if the conditions they imposed were to be permanently adhered to. In a recent article appearing in *Harper's*, Mr. Frank H. Simonds calls attention to this fact which is at the bottom of present conditions in Europe. Mr. Simonds writes:

For these treaties were founded upon the assumption that the countries which had made

the peace would thereafter stand ready to keep it. When the "Big Three" of Paris, Wilson, Lloyd George, and Clemenceau, gave Europe its present territorial structure, all assumed that the countries which they represented would in the future lend their military, naval, and financial resources to insure permanence to their handiwork.

On no other premise save that of continuing Anglo-Saxon support for the territorial decisions of Paris was it even conceivable that the statesmen of Britain, France, and the United States should have created a Polish Corridor, ratified the dispersal of Austrian provinces, abolished the millennial unite of the Crown of St. Stephen. Nor, save in the expectation of an Anglo-French-American alliance, could Clemenceau have dared to affront Italy in the matter of the Adriatic.

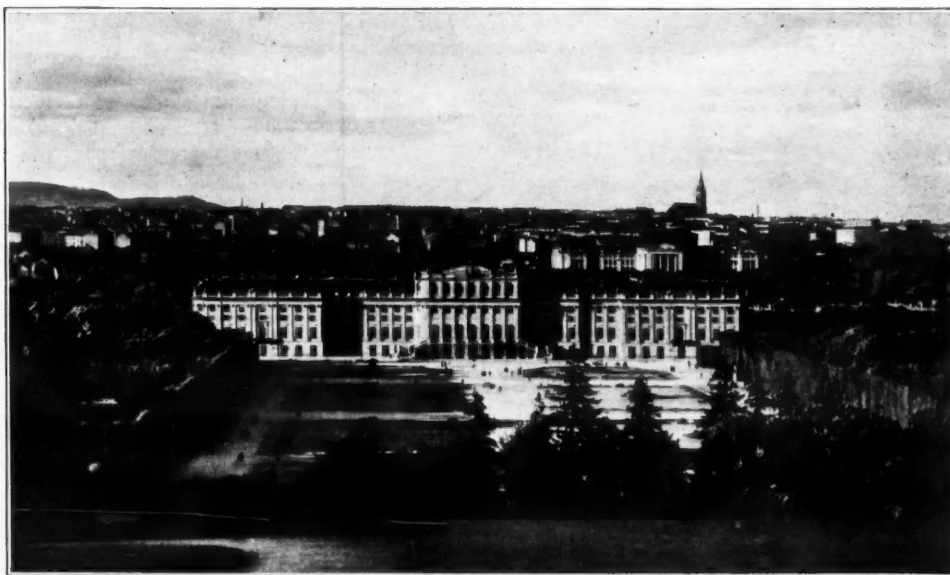
Although the fundamental conflicts in Europe have been apparent for several years, events of the last year or so have tended to dramatize them, and events of the last few months have called attention to the real danger of war on the continent. With the rise of Hitlerism in

**Problem of
Maintenance
of Peace**

Germany and its tone of belligerency in demanding revision of the post-war treaties, there has come a fear that the machinery set up after the war was inadequate to preserve the peace. It was largely because of this fear that Signor Mussolini proposed his plan for a concert of the four major powers of Europe to consult in order to maintain peace. While analogous to the machinery set up by the Congress of Vienna in that it represents an effort of the strong nations to cooperate, the Mussolini plan differs in many essential respects from the experiment of the last century. In the first place, it envisages the revision of the treaties—a proposition which is extremely inimical to the interests of the victorious nations and distasteful to the peoples who made gains by the settlement. Furthermore, the proposed four-power alignment, unlike the Quadruple Alliance, would not necessarily be dominated by the victors. For, while the signatories might agree to maintain peace for ten years, it is only too keenly realized by the French that two of the members—Germany and Italy—would do everything in their power to bring about the treaty revisions which they have been seeking. And France might not be certain of unqualified British support in matters of territorial revision if she became a member of the "Peace Club."

It is true that the European skies have cleared somewhat since the crisis of a few weeks ago. There does not appear to be danger of an immediate outbreak at the present time. The dramatic plea for peace made by the American president has afforded a temporary breathing spell and the conciliatory tone of utterances of the German chancellor since that time have tended to allay the deep fears which were previously expressed.

But if Germany and the nations seeking revision do not immediately undertake to obtain the territory they wish by the use of armed force, it is purely because of their inferiority in military strength. The almost complete isolation of Germany, a result of the ruthless persecution of minorities within the country, has made German political leaders realize the futility of an immediate attempt at revision. Nevertheless, neither the German government nor the German people has acquiesced in the matter of the present boundaries as the French did after the Napoleonic wars.



THE PALACE OF SCHONBRUNN IN VIENNA

It was in this famous building that the Congress of Vienna was held in 1815. The conference room had five separate doors leading into it so that none of the five emperors might be obliged to enter behind another.

Child Labor Problem Grows More Serious During Depression Period

Increasing Numbers of Children Drawn into Industry at Starvation Wages. Practice to be Curbed by National Recovery Act

Recent investigations in Maryland, Connecticut, Pennsylvania and other industrial states bring to the fore a deplorable state of affairs relative to the exploitation of children. Employers, in the attempt to undersell their competitors at any cost, employ children from 10 to 17 years of age and pay them \$2.00 and \$3.00 for a 50- to 75-hour week. These cases are not few and far between. There are thousands of them throughout the country. The 1930 census revealed some 2,000,000 children under 18 gainfully employed in manufacturing concerns, mines, shops and in agricultural occupations.

The question of child labor, of course, is not a product of the depression. It has always been with us. But the difficult economic period through which we are passing makes the problem much more severe. A small minority of employers, realizing that their young workers are desperate and will do almost anything for a few dollars a week, take advantage of this situation. The wages paid to thousands of youths in this country, and the long hours of labor they are compelled to endure can almost be compared with the working conditions of oriental peoples.

A short time ago a survey was made of 150 plants manufacturing clothing in Pennsylvania. It showed that 75 of them employed 14- and 15-year-old children. In one factory 53 per cent of the total working force was made up of children under 18. In some plants more than 25 per cent were under 16. In the clothing factories in one county one-fourth of the total work force was composed of children under 16. The average wage scale for all these children was \$3.00 for a 51-hour week.

Mrs. Gifford Pinchot, wife of the governor of Pennsylvania, recently made a thorough survey of child labor conditions throughout her state. She found that \$2.00 and \$3.00 a week was the average rate of pay for children. She also found that extremely long hours of labor prevailed and in many cases the positions filled by the children required extreme physical exertion.

Joseph M. Tone, Connecticut commissioner of labor, recently stated that "child labor and fearfully low wages characterize the sweat shops in the clothing industry operating in the state of Connecticut." Cases were discovered in that state where children worked 80 hours a week.

Frances Perkins, as New York State industrial commissioner, just prior to her

appointment as secretary of labor, deplored the exploitation of children in her state. She said: "I also question the complete veracity of an employer who claims that his motive in hiring adolescents is to help the child's family. Such child labor is not really intended to help the family. It is primarily a search for the cheapest possible labor. . . . It would be better during the depression to keep children under 16 out of employment entirely. . . . To countenance child labor at a time like this is to sanction extending the depression into the lives of the next generation. With innumerable adults unemployed there is no need for children in industry today."

Courtenay Dinwiddie, general secretary of the National Child Labor Committee, recently painted a tragic picture of children in industry. In conclusion he said: "The types of child exploitation which are developing under economic stress today are as alien to the better instincts of humanity as in the days when children of 10 and 12 years were employed in mines, glass factories and cotton mills. Now is the time to strengthen our laws and administrative machinery and wipe out the stain of inhuman treatment of children forever from our country."

In addition to the grave consequences from a humanitarian standpoint, child labor, as Miss Perkins points out, is bad from an economic viewpoint. Children are occupying positions which should be filled by adults. Then, too, the act of employers hiring children at abysmally low wages forces down prices of all similar products and wages due to the element of competition. If one employer hires children to work for him at \$2.00 and \$3.00 a week, he can sell his products much cheaper than his competitor who pays a living wage. What, therefore, is being done to remedy this situation?

In 1924 an amendment to the Constitution was approved by Congress, forbidding the shipment in interstate commerce of all goods produced by minors (under 18 years). Up to this year only six states had ratified the amendment. The chief argument against the amendment has been and still is that it is an infringement of individual rights; that if parents of children do not object to their working, the federal government has no right to interfere.

This year, however, six more states have ratified the amendment—or as many as had taken such action during the previous eight years. Several other states are seriously considering it.

The new interest taken in the amendment is due largely to economic reasons. It is felt by more and more people that the work being done by children should be given to adults, when millions of the latter are unemployed. But even with this change of heart on the part of many people, the most optimistic supporters of the amendment do not expect it to be ratified by the necessary 36 states for a number of years.

However, there are several indications that the plight of children working in indus-



This little fellow who is looking so trustingly at the world, has a right to receive from the world an opportunity to develop the powers that lie within him. Yet there is one chance in nine, if he is a typical member of the 1933 baby crop and if present conditions are not remedied, that he will be forced into industry so early in life that a rounded development of his possibilities will be rendered unlikely.

try will be greatly improved. New York and New Jersey, two states in which child labor abuses have been plentiful, recently passed minimum wage laws for minors. Other states, including Pennsylvania and Massachusetts, where children have suffered unbearably at the hands of mercenary employers, have appointed commissions to study the problem.

But the most encouraging factor of all is the likelihood that Congress will pass the National Recovery Act. This act gives each industry the opportunity to standardize wages, hours and production. And if any employer refuses to cooperate with the standards set by the large majority within the industry, he will be compelled to do so by the federal government. Thus it will no longer be possible for certain employers to obtain the services of children at \$2.00 and \$3.00 a week. They will have to pay the minimum wage prescribed by the majority in their industry, so they may come to the conclusion that it would be better to employ adults who have had more experience and who are more physically capable than children. Moreover, according to Secretary of Labor Perkins, child labor comes under the "unfair practice" clause in the industrial bill, and thus the employment of children will be completely eliminated during the two-year life period of the bill. At the end of that time it is hoped that public opinion will force the adoption of the Child Labor Amendment.

CORSICAN ROBIN HOOD

The notorious Corsican bandit, Andre Spada, has at last been captured. The story of his later life reminds one of the tale of Robin Hood. He and his bandit followers, as well as hundreds of other outlaws, have long been carrying on a reign of terror throughout the French island of Corsica in the Mediterranean. Two years ago the French authorities organized an expedition to put down brigandage in this mountainous island. Airplanes, and other military equipment, were used in the attempt. It was not long before the authorities had cleaned out most of the bandits.

But Spada and his followers could not be caught. A sort of a myth grew up about Spada, and many peasants throughout the countryside idolized him. Finally, however, Spada became tired of living in exile and gave himself up a few days ago.

THOUGHTS AND SMILES

Beer is about a month and a half old now, and not very strong for its age.

—New York Herald-Tribune

The thing that burns me up is that in the years 1932 and 1933 I paid more income tax than all the members of the House of Morgan put together.

—Heywood Brown

A country like this, once given an impetus in one direction, can't turn around in four, eight or twelve years. Usually it has to go to the end of the road, and it takes years to get there.

—Frank R. Kent

A baseball man says three weeks' spring practice is enough for any club, but some of the big league teams are still practicing.

—Dayton Daily News

"A rich man," said Hi Ho, the sage of Chinatown, "may be most generous and still be unpopular. The fact that he has wealth to give away makes him the more envied."

—Washington Star

This country can weather any kind of shortage but a shortage of nerve.

—New York Herald-Tribune

There are a good many professors working for the government, but from the viewpoint of the schoolboy not nearly enough.

—New York Herald-Tribune

And to think anybody was credulous enough to imagine that legal beer would cause the bootlegger and highjacker to resign.

—Los Angeles Times

A scientific evolution is taking place. Capitalism is being modified and so is its system, but we must remember that it has been doing that for 100 years. Yet capitalism now is not what it was even ten years ago. The theory of capitalism now is that the employer should regard himself as a kind of trustee.

—Gerard Swope

We notice that many of the stocks listed in the financial sections are followed by "pf," and we sometimes wonder if this doesn't mean "pfft."

—JUDGE

PRONUNCIATIONS: Schönbrunn (shun-brunn—u as in burn), Metternich (met'ternikh—i as in hit), Talleyrand (tah-lay-rah'n—n is scarcely sounded), Hapsburg (hahps-boorg), Aix-la-Chapelle (aiks'la-sha-pel'—a as in art, e as in met), Troppau (trop'ou—o as in go, ou as in out), Laibach (li'bakh—i as in time, a as in art, k scarcely sounded), Clemenceau (kle'mahn-so'—e as in met, o as in go, n scarcely sounded).



THE CHILDREN'S HOUR

—Talbot in Washington News

Delegates Gather in London for Convening of Economic Conference

(Concluded from page 1)

it is not enough. Without specific promises to come to their actual assistance it is difficult to see how the French are going to be induced to reduce their armaments. Obviously, the United States will not make such a pledge, nor, it appears, will Great Britain. Thus, fundamentally, the situation with respect to security is little changed.

Japan for Parity

Secondly, the Japanese have made known their intention to seek eventual naval parity with the United States and Great Britain. And they are not in sympathy with our suggestion that any nation which sends troops to alien soil should be declared an aggressor. This development has been discouraging. Neither the United States nor Great Britain is willing, of course, to consider equality of naval armaments with Japan, especially in view of recent events in the Far East. And while this question will not come up concretely before 1936 when the London Naval Pact expires, it has nevertheless cast a damper on the Geneva meeting.

It is clear, therefore, that the London conference must not expect anything from Geneva. The two meetings will probably proceed simultaneously. There is no doubt, however, that the discord in Geneva will not have a healthful effect on London. It will not be easy for nations to make concessions on economic problems while they remain at odds over political questions.

Next to the deadlock at Geneva probably the most serious obstacle in the path of the economic conference is the war debts problem. Europe has taken the attitude that a satisfactory settlement of this issue is indispensable to success at the conference. And the only satisfactory settlement which Europe is able to envisage is a drastic scaling down of debts by the United States. But we are far from agreeing to such action. Congress has consistently opposed any movement looking toward revision. Its disapproval has been so manifest that President Roosevelt has not been willing to run the risk of asking the legislature for authority to make new debt agreements as had been his original intention. There was abundant evidence

that the mere mention of war debts to Congress would be sufficient to provoke such a storm of opposition and protracted debate as to endanger seriously the entire legislative program. Accordingly the president has preferred to let the matter drift. It is indicated that he plans to go forward on his own initiative and negotiate agreements with the hope of having them approved by Congress when it next convenes. Mr. Roosevelt, however, will expect the nations which defaulted on their payments last December to pay up to date and it is said he will ask all the nations to make nominal payments in June as evidence of their good faith. Whether the nations will agree to this proposal, if made, is debatable. France is less disposed than ever to make her December payment and reports from London have pointed to British default in June. Thus, while the debt problem is not on the program of the conference it is certain to be conspicuously in the background.

Politics in Europe

But if the situation with regard to disarmament and war debts has not improved, the political state of affairs in Europe is distinctly better than it was a few weeks ago. The war scare which was widespread has been allayed. Chancellor Hitler's conciliatory speech before the Reichstag following President Roosevelt's warning has had a certain good effect although Europe is reluctant to rely too heavily on the promises of the Nazi leader in view of his past utterances.

As the result of this turn for the better Premier Mussolini was suddenly able to revive his ill-fated plan to preserve peace in Europe. It will be remembered that this project, calling for the collaboration of Great Britain, France, Italy and Germany, and providing for treaty revision, aroused such indignant protests that it was soon pronounced dead. But after President Roosevelt's appeal for peace it was announced that negotiations had, contrary to the general belief, been proceeding quietly and satisfactorily and that the pact was ready to be signed. The project has been brought to life, but in a very much modified form. All the objections made by



GEOGRAPHY BEGINS AT HOME

—Harding in Washington Times

This cartoon and the one below represent two conflicting views with regard to our foreign policy.

France with regard to treaty revision have been conceded. The document has been reduced to a rather vague and general declaration of intention to collaborate in promoting peace on the European continent. If it is accepted even in this weak form it will nevertheless be a good sign and may be taken in the nature of a political truce. It must not be forgotten, however, that no fundamental differences have been settled. Germany is still as anxious as ever to secure treaty revision, but for tactical reasons has retreated, and France is as determined as ever to preserve the present structure in Europe. The gap between the countries is so wide that it can hardly be bridged by negotiated agreement.

Effect on U. S.

What has been the effect of all this on the United States? As a result of the various setbacks it appears that there has taken place a decided change in the Roosevelt administration's attitude toward the World Economic Conference. A few weeks ago it was obvious that the president hoped for much from London. He seemed to believe that the way out of the depression was to be sought primarily through the conference. But now there is evidence that considerably less stress is being placed upon the importance of the meeting. The first sign of this about-face came from Professor Raymond O. Moley, close adviser to the president. In a radio speech on May 20, Dr. Moley warned the nation not to expect too much from London, and said that "in large part the cures for our difficulties lie within ourselves." It was made plain that while the administration remained hopeful of international action there was no longer such a high degree of optimism. Professor Moley's declaration was evidently designed to lead the country to a more realistic view and to dispel the live-or-die attitude which had been developed toward the conference.

The administration does not seem to hope, now, that the conference will result in a lowering of tariffs. It will be satisfied if there can be an agreement not to boost them to still higher levels. Similarly it is not thought that the currencies of nations can be stabilized in the near future. The most that can be expected is the inauguration of a gradual movement to do away with exchange restrictions and perhaps to promote cooperation among the central banks of the various nations. It may be that these expectations fall below what will actually be accomplished in London. The situation may vastly improve and the delegates may

be able to go much further than is now indicated. However, the president is not banking on such a development. His attitude is perhaps best expressed in the instructions he is reported to have given the American delegation before its departure for London, which were: "Do the best you can."

MOONEY ACQUITTED

Thomas J. Mooney, who was imprisoned in 1916 on charges of having taken part in the San Francisco Preparedness Day bombing which resulted in the death and injury of a number of people, won a court victory the other day. He was acquitted on an indictment connected with the bombing, which was similar to the one on which he was convicted in 1916.

As the district attorney had refused to take the case because of lack of evidence, the assistant district attorney took his place. He, too, argued that the state had no case and could not prosecute. Therefore, the whole procedure was merely a matter of formality. The jury delivered a verdict of "not guilty" after only two minutes' deliberation.

Mooney intends to ask Governor Rolph to pardon him, as a result of this trial. Also, a plea for him will be taken to the Supreme Court. Legal authorities, however, do not believe that the recent acquittal will affect Mooney's status on the previous conviction.

ROBOT PILOT

The United Air Lines, according to its president, is installing a robot pilot on the sixty new high-speed transport planes which are being placed in service on the line. This mechanical pilot, which has been tried out with great success, can guide an airplane for thousands of miles at a time. By merely setting dials on the robot, it will guide the plane along any desired course. Of course this new device will not replace the human pilot but it will greatly relieve the monotonous and tedious work, allowing the pilot more freedom to study weather conditions and to navigate his course.

Since the disclosures made at the Morgan inquiry, rumors have been rife as to the future political fate of Secretary of the Treasury Woodin. Some have it that he will resign after the adjournment of Congress and be sent to Germany as ambassador. Others insist that he will keep his cabinet post.



THE LAST CHANCE

—Brown in N. Y. Herald-Tribune